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Venezuela's supreme court gives Maduro pre-electoral boost

Venezuela's supreme court of justice (TSJ) has issued two rulings in the last two weeks which are likely to have a significant influence on the legislative elections on 6 December. On 5 August the opposition coalition Mesa de la Unidad Democrática (MUD) expelled the traditional right-wing Comité de Organización Política Electoral Independiente (Copei) from its ranks after the TSJ imposed a new Copei leadership committee days earlier which the MUD leadership claimed would act like "a Trojan horse" for the "regime". Then, on 7 August, the TSJ rejected a suit to force the central bank (BCV) to make inflation figures public. Since inflation began spiralling out of control (even by Venezuelan standards) last February, the BCV has stopped publishing figures which, given that wage increases are far from keeping pace, could have reduced support for the government led by President Nicolás Maduro as elections approach.

The MUD's executive secretary, Jesús Torrealba, announced the expulsion of Copei from the opposition coalition after the TSJ suspended the legitimately elected Copei party leadership headed by Roberto Enríquez on 30 July. The TSJ named a new interim leadership committee under Pedro Urrieta after Copei members placed an internal dispute before the court. The TSJ ruled that the Enríquez leadership had put "personal interests above party interests" by unilaterally selecting 27 legislative candidates. It instructed the national electoral council (CNE) not to accept the nomination of any legislative candidates other than those selected by the new leadership committee.

Torrealba accused Copei of having "opened the door to an organ of the regime". He said that Copei's expulsion was necessary "to stop the long arm of the regime...under a juridical pretext using Copei as its entry point to interfere with the MUD". He said the MUD was erecting "a kind of sanitary cordon to prevent official intrusion from penetrating even to the [MUD legislative] lists".

Urrieta called for the MUD to rectify its decision, arguing that Copei had been "historically present at every stage of Venezuelan democracy" and was a key opposition party. Enríquez, for his part, said he accepted the MUD decision and would remain in the coalition. He added that he would "never betray Venezuela", pleading (to no avail) to Urrieta et al to stand aside so Copei could take its rightful place in the MUD.

The MUD said that if Copei resolved its internal differences and cast off the "servile" provisional leadership before the deadline for modifying candidates before the CNE, in early November, it would welcome the party back into the opposition coalition and return its 27 candidate nominations.

Official unity

During a meeting in Caracas, President Maduro sought to provide a stark contrast to the opposition coalition's travails by hailing "a great example of unity" within the Bolivarian Revolution heading into December's legislative elections. Maduro said the Gran Polo Patriótico Simón Bolívar, combining the Partido Socialista Unido de Venezuela (PSUV), Partido Comunista and smaller parties, such as Alianza para el Cambio, which was previously allied with the opposition, was the "perfect alliance".

Inflation to be felt not seen

The TSJ followed up one controversial ruling benefiting the Maduro administration with another. The TSJ rejected a suit filed by the NGO Transparencia Venezuela, affiliated to the Berlin-based Transparency International (TI), against the president of the BCV, Nelson Merentes, for "failing to fulfil his obligation to publish the country's principal economic statistics". This just a few weeks after the International Monetary Fund (IMF) forecast inflation of over 100% in Venezuela by year-end, when the legislative elections are due, while the investment bank JP Morgan recently predicted inflation of 140% for the year.

The consumer price index (CPI) has become a state secret since February when the BCV last released figures, reporting that inflation had increased by 5.6% month-on-month. After this the BCV, without explanation, abruptly stopped publishing monthly figures.

The Maduro administration blamed a media conspiracy for stopping publishing homicide figures years ago. These figures, like inflation, would make for very grim reading and could be used to bolster the opposition arsenal in its "economic war" against the government. Put in this awkward position, the TSJ managed to duck the issue completely by ruling that the NGO had not taken sufficient steps to obtain the figures from the BCV.

Opposition failings

It is impossible to measure the impact of these two rulings by the TSJ on the legislative elections but just like the CNE's decision to bar one of the MUD's most prominent and popular candidates, María Corina Machado, from seeking election, they will damage its chances. The MUD, however, seems perfectly capable of bringing about its own downfall without any external assistance.

The MUD leadership announced last week that it would not accept Machado's chosen replacement, Isabel Pereira, a director of the liberal think-tank Centro de Divulgación del Conocimiento Económico para la Libertad (Cedice), because it could not reach an agreement where she would feature on the legislative list.

Machado said the MUD's decision was "regrettable" as she had wanted to give her supporters someone who represented her values with lucidity to vote for, although she stressed that it was her "moral responsibility" to throw her weight behind the coalition.

Meanwhile, while it engages in further infighting, the MUD has failed to come up with a united, coherent strategy to expose the Maduro administration's manifold failings and to provide a detailed attractive alternative. Instead, it is making improvised gestures. After a youth was shot dead during the looting of a supermarket in the city of Ciudad Guayana in the south-eastern state of Bolívar on 31 July, Torrealba called for a march "against hunger and crime and for freedom" in Caracas and all of Venezuela's state capitals on 8 August. He was forced to concede that the turnout was so poor it had amounted to no more than "a meeting of activists".

The candidate selected to replace Machado, Freddy Guevara, a member of the Voluntad Popular (VP) party of the imprisoned opposition figurehead Leopoldo López, blamed the poor turnout on the government. Guevara said the government had created divisions in the MUD that led to Torrealba expelling Copei. This ignores the MUD's failure to connect with the majority of the Venezuelan public clamouring for options other than the Maduro administration.

Writing in his Sunday column twice MUD presidential candidate Henrique Capriles Radonski, the governor of Miranda, warned that "Venezuela is sitting on a time bomb". Capriles said that there had been 56 lootings in the first half of 2015 and the government had completely glossed over all of them

Trial balloon

The governor of Bolívar, Francisco Rangel Gómez, said the violent looting in his state was premeditated. “I think that they are letting go trial balloons in different parts of the country...perhaps recalling the *Caracazo* [the wave of protests and looting in Caracas and surrounding towns in 1989 when thousands were killed in a ruthless crackdown by security forces]”.

except the fatal incident in Bolívar, which Maduro used as “evidence” of the “economic war” being waged against his government.

The governor of Bolívar, Francisco Rangel, of the ruling Partido Socialista Unido de Venezuela (PSUV), insisted in an interview with Televen on 9 August that the incident in his state was a test case for nationwide violence (see sidebar). Despite this Rangel was far more candid than the Maduro administration about the difficulties facing Venezuela.

“There is no doubt that people are queuing to buy food and there is no doubt that we are going through a difficult process. We have to admit it to confront it,” Rangel said. He acknowledged that falling oil prices had depleted state coffers, although he sought to maintain that this had caused “a crisis which is also good” – the need to diversify exports, something which the Bolivarian Revolution failed to do when the economic situation was much more favourable.

Opposition figureheads ‘released’

Two further judicial decisions in the space of 24 hours on 11 and 12 August also had a distinct electoral tinge. First a Caracas court announced that Daniel Ceballos, the former MUD mayor of San Cristóbal, the capital of the western state of Táchira, had been transferred from jail to house arrest on health grounds. Shortly afterwards, a military court announced that another prominent opponent of the Bolivarian Revolution, retired General Raúl Isaías Baduel, had been granted parole.

Ceballos was arrested in March 2014 and sentenced to 12 months in prison for contempt of court, specifically ignoring a precautionary measure issued by the TSJ requiring him to stop barricades from being erected by opposition protesters during demonstrations against the government in February that year. After completing the sentence, the TSJ announced that Ceballos would remain in prison while awaiting trial on another charge of rebellion and criminal association related to the protests.

Baduel was a former comrade-in-arms of the late president Hugo Chávez (1999-2013), playing a key role in restoring him to power after the brief coup in 2002. Baduel was arrested in 2009, accused of embezzling military funds while serving as commander-in-chief of the Venezuelan army and defence minister from 2004 until July 2007 when he dramatically parted ways with Chávez, and played an instrumental role in campaigning against the referendum on constitutional reform, which was narrowly rejected in December 2007. Baduel had accused Chávez of becoming an autocrat, claiming that the referendum, which included a reform to abolish presidential term limits, was a virtual coup. Chávez branded him a “traitor”. While he became a fierce critic of Chavismo, Baduel did not enlist in the opposition ranks.

Ceballos and Baduel took part in a hunger strike last June for 20 days to demand the release of all political prisoners. Ceballos, who subsequently suffered from kidney and stomach problems, was escorted to his home in Caracas by two officials of the Bolivarian intelligence service (Sebin). Baduel was granted parole after completing over five years of a sentence of nearly eight years in the Ramo Verde military prison, which is where López is being held.

The ombudsman, Tarek William Saab, claimed that the release of Ceballos demonstrated that “the rule of law is functioning in Venezuela and a democratic system exists”. Sceptics argue that the Maduro administration was motivated instead by a desire to improve its international image, and to undermine claims by opposition politicians that they face political persecution. Ceballos, after all, has not been released, but under house arrest he will attract far less attention. The big question is whether the government decides to ‘release’ López, widely seen as the country’s main ‘political prisoner’, or whether this would constitute too great an electoral risk.

Chilean business mission visits Colombia

On 10 August Chilean business leaders began a two-day visit to Colombia, looking to establish new business links within the Pacific Alliance trade bloc framework. The Pacific Alliance currently comprises Chile, Colombia, Mexico and Peru, and the head of Chile's manufacturing exporters' association (Asexma), Roberto Fantuzzi, said that "the most important thing for this mission, is to see how we as Pacific Alliance countries can not only improve our [commercial] relations but that of the whole bloc". Fantuzzi explained that the mission will be comprised of 15 businessmen from varied sectors interested in establishing a presence in or exporting to Colombia. On Asexma figures, Chile's exports to Colombia reached US\$1bn in 2014, while Colombian exports to Chile reached US\$1.1bn.

BOLIVIA | Solid first half growth. Bolivia's GDP increased by 4.6% year-on-year in the first six months of 2015, according to the economy & finance minister, Luis Arce. The result means that the Bolivian economy will surpass the current 4.5% growth forecast for the year made by the United Nations Economic Commission for Latin America and the Caribbean (Eclac) and is well on course to achieve the government's target of posting year-end GDP growth of 5%, which would make it the fastest growing Latin American economy in 2015.

The domestic economy's solid performance in the first half of the year comes despite the fact that analysts had predicted a slowdown on the back of lower export values resulting from the falling international prices of some of Bolivia's main commodity exports such as hydrocarbons and minerals. The negative impact that this could have on the Bolivian economy was acknowledged by President Evo Morales during his annual address to mark Bolivia's independence day on 6 August. That day Morales said that the fall in commodity prices, in particular natural gas, could lead to the value of the country's exports falling by as much as US\$2.5bn (or a fifth of the record US\$12.86bn exported by Bolivia last year) in 2015.

But Morales said that while this would negatively affect the domestic economy, it would not succeed in slowing it down. This was reiterated by Arce, who pointed out that in light of the lower value of exports, economic growth in the first half of the year was mainly driven by internal demand and public investment, showing that the Bolivian economy was prepared to weather the international economic crisis.

The Morales government plans to spend over US\$7bn this year in response to the crisis and in a bid to stimulate growth and this appears to be working. Arce also said that despite the fall in the value of exports, Bolivia's trade balance remained positive in the first half with the country posting a US\$58m surplus. Pointing out that it is expected that there will be greater domestic economic dynamism in the second half of 2015 due to planned public and private sector investment, Arce said that the government believed year-end economic growth could exceed all projections and be even higher than 5%. Indeed, Arce said that if the private sector invested an additional US\$3bn this year, Bolivia's economy could grow by as much as 6% despite the adverse international economic context.

PERU | Falling exports cause job losses. On 9 August Peru's association of exporters (Adex) released a report that found that the year-on-year fall in the country's exports by value in the first half of the year has resulted in the loss of over 80,000 local jobs. The Adex report found that Peru's total exports in the first six months of the year stood at US\$15.7bn, down from US\$18.15bn in the comparable period of 2014. According to the report, this fall in exports led 2,344 firms to close down, resulting in the loss of 82,248 jobs so far this year, as traditional exports fell by 19.2% and non-traditional exports fell by 7.5%.

The Adex president, Eduardo Amorrortu, said that the textile industry had been the most affected by job losses, with 38,757 jobs lost in this sector as a result of a 27% fall in sector exports due to a loss of competitiveness compared to "Asian products". Amorrortu also expressed concern for the future of the traditional agri-sector after three consecutive months of falling exports. "The agri sector now faces a difficult future due to the El Niño climatic phenomenon," Amorrortu said.

COLOMBIA | Moody's praises domestic economy's resilience. The international ratings agency, Moody's, has released a new report on Colombia in which it highlighted the resilience of its domestic economy in the face of the current adverse external economic environment. The report notes that Colombia's economy grew by 4.6% last year and projects that it will grow by 3.5% this year despite lower international commodity prices and lower demand for Colombian exports.

The report warns that the Colombian economy must adjust to the external crisis resulting from the fall in the price of oil, but expresses confidence that the impact of this will be moderate. "We expect that the economy will remain resilient as it adjusts to lower oil prices, benefiting from a sound fiscal framework and adequate reserve buffers, despite the terms of trade shock owing to low oil prices, which we believe will persist in the medium term," the report said.

Tight primaries put Scioli in pole position

Daniel Scioli won Argentina's open and simultaneous primaries (Paso) on 9 August. Final results put Scioli, the presidential candidate of the ruling Frente para la Victoria (FPV) faction of the Partido Justicialista (PJ, Peronists) on 38.41%, against the combined total of 30.07% mustered by Mauricio Macri, the candidate of the right-of-centre opposition Propuesta Republicana (PRO) and others in the Cambiemos coalition. Given that the primaries are mandatory for voters, they provide a reasonable guide to the outcome of the general election on 25 October. While Scioli's margin of victory was significant, it was not as overwhelming as opinion polls were starting to suggest. He now looks unlikely to avoid a second round run-off, leaving the ultimate outcome of the presidential election open.

Kirchneristas rejoice

Scioli had plenty of reasons to celebrate the result. Unopposed within the FPV since his endorsement by President Cristina Fernández, Scioli eventually finished over eight percentage points clear of the combined total of the Cambiemos candidates. Against Macri alone, he was over 14 points ahead. The FPV candidate came top in 20 of the country's 23 provinces, losing only in Mendoza, Córdoba, San Luis and the City of Buenos Aires.

Jorge Telerman, Scioli's chief campaign strategist claimed the result showed the FPV candidate was close to winning in the first round. To do so, Scioli needs either over 40% of the vote plus a distance of 10 percentage points between him and his nearest rival, or over 45% of the vote. While there is no suggestion that Scioli has reached his ceiling, privately he will be disappointed he did not meet one or other of these criteria in the primary elections to create the public perception that he is the president-in-waiting.

In an impassioned speech following the primary results, Scioli echoed a phrase of General Juan Domingo Perón, "They [the opposition] can look at it however they want to, but the truth is the only reality," he said. In subsequent days he has announced an extensive list of travel plans before the vote on 25 October, seemingly designed to make him look more presidential. In a radio interview on 10 August, Scioli mentioned a trip to China and Russia "to ratify agreements", as well as possible talks with the governments of Ecuador, Mexico, Spain and Germany.

Not an unmitigated success

On the downside, the FPV's performance in the province of Buenos Aires, a traditional Peronist stronghold where Scioli is the incumbent governor, was a disappointment. In large part that was due to Aníbal Fernández. President Fernández's abrasive, mustachioed cabinet chief, running to succeed Scioli as the FPV governor of the province, was accused of involvement in murder and drug-trafficking during a vicious primary contest against Julián Domínguez, the president of the federal chamber of deputies.

Throughout the campaign in the province of Buenos Aires, Domínguez also argued that Aníbal Fernández's combative political style would alienate moderate voters come the general election. In the end, Fernández beat Domínguez by just over two percentage points, but overall the FPV vote was lower than expected.

Pension increases

On 5 August President Cristina Fernández announced a 12.49% hike in pensions that will come into effect on 1 September, a month before the general elections. With this latest increase, pensions will increase 33% in 2015, following the implementation of the social mobility act. Around 8m people will benefit from the hike.

Bad weather hits Buenos Aires

At least three people have died and 10,000 people have been evacuated from their homes in the north and north-west of the province of Buenos Aires following heavy rains over the past week. More bad weather is predicted for the next few days. The economy minister, Axel Kicillof, has announced the government will provide assistance to flood victims.

Scioli won 39.49% of the vote in the province, not far ahead of his score nationally. Combined, the FPV candidates Fernández and Domínguez won 40.34% of the vote, but individually both fell short of the total of María Eugenia Vidal, with the PRO candidate mustering some 635,000 more votes than Fernández.

Analysts concluded that the scandal surrounding Aníbal Fernández had driven away voters from the FPV. The trouble for Scioli is that he can hardly distance himself from Fernández, now that he is the FPV's official candidate for his province.

Macri declared himself pleased with the results. Although the momentum of his campaign appears to have stalled in recent weeks, on Sunday night he told supporters to celebrate "because an alternative has been consolidated". It remains likely that Macri will push Scioli to a second round.

Córdoba

It is also worth noting that Córdoba, Argentina's second-largest electoral district, threw its weight behind the Una Nueva Argentina (UNA) coalition, dominated by Sergio Massa, of the dissident Peronist Frente Renovador (FR), who came third in the Paso with 20.63%. The UNA coalition won 38.79% of the vote in Córdoba, followed by Cambiemos, on 35.38%, with the FPV in a distant third, on 14.66%.

On the flip side, however, UNA's support was dominated by votes for José Manuel de la Sota, the current governor of the province, who won 85.47% of the coalition's vote, versus just 14.53% for Massa. The upshot is that while Massa was able to claim that the results showed he remains a credible third-placed presidential candidate, without De la Sota's votes, UNA's performance would have been unimpressive. It seems unlikely that all of De la Sota's voters will move over to Massa.

For Massa, a dissident Kirchnerista, the result justified, to a degree, his decision to stay in the presidential race. While still lagging behind the two frontrunners, the UNA coalition won enough support for him to be able to claim a credible candidacy. Such credibility is important in order to avoid more of his followers peeling off to join either Macri or Scioli, which has been happening in recent weeks.

It is worth noting that the weather in the Argentine capital was appalling over the weekend. Though turnout was still a healthy 74%, that number is low by local standards. If the 2011 primaries are an accurate guide, all of the presidential candidates should see their share of the vote rise, now that the minnows have been eliminated. But all options are still on the table.

URUGUAY | POLITICS & ECONOMY

Vázquez unmoved by union strike

Uruguay had not seen a 24-hour general strike for seven years but that changed on 6 August. The umbrella trade union Plenario Intersindical de Trabajadores-Convención Nacional de Trabajadores (PIT-CNT) has staged numerous protest actions on various scales since its nominal ally, the ruling left-wing coalition Frente Amplio (FA) came to power in 2005, but no strike of this duration since 2008. President Tabaré Vázquez refused to cave in to its demands then and if the stony silence from the government on the day of the strike is anything to go by he does not intend to now either.

Dictatorship

Uruguay began commemorating the 30th anniversary of the end of the dictatorship and restoration of democracy last week. There will be a series of activities and events between now and the end of 2015 to mark the milestone, with members of congress and civil society participating on various roundtables to discuss the changes of the last 30 years. “The advent of a government newly elected by the people was no more than an assertion of the spirit of those who fought for democracy for so many years,” Vice-President Raúl Sendic said during an event attended by senior government officials in Montevideo.

Fernando Pereira, the PIT-CNT coordinator, was keen to brand the general strike a success, arguing that 1m workers had participated, making it the largest industrial action since the restoration of democracy in 1985. The day of the strike was wet and miserable, however, and the consensus of the local press was that it had met with muted success. Many school classes were cancelled, non-essential medical services were paralysed and public transport was disrupted but buses came about as frequently as they would on a public holiday.

Still, Claudio Piacenza, the head of the national chamber of commerce and services, estimated that losses from the strike amounted to some US\$200m. “[The strike] concerns us a lot,” Piacenza said. “Uruguayan society doesn’t deserve waste and this madness to think that a general strike will somehow give us the tools to advance talks”.

“This fight is aimed at generating conditions so that the weakest don’t end up paying for an economic slowdown,” Pereira said. The PIT-CNT has rejected the government’s proposed three-year salary increases as part of the collective tripartite salary negotiations taking place between the government, employers and employees. These range from 6% to 10% depending upon a sector’s ability to absorb the increases. The PIT-CNT argues that this is tantamount to a wage freeze as inflation is running at around 9%. The austerity-minded economy and finance minister, Danilo Astori, has refused to improve upon this offer.

The PIT-CNT has also taken issue with the government’s proposal to raise the minimum wage from Ur\$10,000 to Ur\$13,400 (US\$490) per month by 2018. It is demanding that the minimum wage be boosted by a massive 50% over the course of the next three years to Ur\$15,000 (US\$560).

The government for its part has rejected the PIT-CNT’s proposal that international reserves be used to finance public investments on the grounds that it is Uruguay’s international image of fiscal responsibility which makes it an attractive destination for investment and it is not prepared to jeopardise this through excessive spending. Astori must present his five-year budget plan to congress before the end of August. He may throw some sops to the unions then but for now he is standing firm.

President Vázquez did announce days before the strike that his government would invest US\$12.37bn in infrastructure between 2015 and 2019 to spur economic growth and job creation through public-private partnerships. He said two-thirds of these funds would come from public funds – and not through debt issuance or an increase in taxes.

Vázquez said US\$4.2bn would be assigned to energy investment; US\$2.36bn to road infrastructure (a long-cited bottleneck to development); US\$1.87bn to social infrastructure; US\$1.32bn to housing; US\$750m on communications; US\$550m on water and sanitation; and US\$360m on railway investment. The PIT-CNT applauded the plan but raised doubts about the level of private investment, and said the strike would go ahead.

The economy and finance ministry has also taken steps to try and rein in inflation, which is like a tax for those earning the minimum wage. It published a list last week of 1,578 essential products – food, drink and cleaning products – whose prices will be frozen until the end of October in an accord struck between the government and representatives of the business sector to contain inflation. A similar accord was adopted by in 2014 as the economy and finance ministry sought to stop inflation from reaching double digits.

The consumer price index climbed by 0.45% in June, bringing accumulated inflation for the first half of the year to 5.64%. Annualised inflation stood at 8.53%.

Rousseff looks to senate to manage lower chamber

Death of a 'Playboy'

On 8 August, Celso Pinheiro Pimenta, a drug-trafficker better known as 'Playboy' was shot dead by police in the Morro da Pedreira in the northern zone of the city of Rio de Janeiro. 'Playboy' was the most-wanted criminal in the eponymous state, with a R\$50,000 (US\$14,500) reward offered for information leading to his capture. Sentenced to 15 years in prison for drug-trafficking and qualified homicide, he was released from prison in Rondônia in 2009 for a seven-day compassionate leave and returned to Rio to resume his criminal activities.

Last week, against the explicit wishes of President Dilma Rousseff, over 50 federal congressional deputies from the ruling left-wing Partido dos Trabalhadores (PT) voted in favour of a bill raising the salaries of public prosecutors and those working in the attorney-general's office. With even members of her own party largely disregarding orders from the executive, Rousseff is increasingly looking to the senate to act as a "moderating power" in the political crisis now roiling Brasília.

The vote on one of the so-called "fiscal bombs" – effectively, spending measures which will blow up the government's plans for austerity - was emblematic of the government's loss of support in the federal lower chamber. A total of 445 deputies voted in favour of the constitutional amendment linking the salaries of public lawyers to those of supreme court justices; just 16 voted against and six abstained. The measure, if ratified, will cost the government R\$2.4bn (US\$690m) a year.

More of these bills that would increase government spending are in the pipeline. In the face of a deteriorating macroeconomic situation, the finance ministry has already slashed dramatically its plan for a 1.1% of GDP primary fiscal surplus to 0.15%. Should many of these anti-austerity measures be approved, even that more modest target may prove out of reach.

Many in the PT are openly opposed to the government's fiscal adjustment plans, which run counter to the party's election pledges of last year. Others in President Rousseff's governing coalition are also uneasy. Last week, two smaller parties, the Partido Democrático Trabalhista (PDT) and the Partido Trabalhista Brasileiro (PTB) announced that from now on they would vote independently of the government. Most analysts interpreted this as a bid to gain more jobs in an anticipated cabinet shake-up. Between them, the two parties have 45 seats.

Added to this, Eduardo Cunha, the speaker of the federal lower chamber, from the nominally allied Partido do Movimento Democrático Brasileiro (PMDB) continues to use his position to make life difficult for the executive. Cunha is widely expected to face closer scrutiny in the next few phases of 'Operation Car Wash', the investigation into corruption at the State oil company Petrobras, and may even be suspended from his position, but he appears intent on going down fighting. Twelve impeachment requests are currently lodged with the lower chamber. Should the federal court of accounts find against the government later this month, Cunha is expected to table a bill to initiate impeachment proceedings.

Over the weekend, Rousseff determined a plan to negotiate one-on-one this week with the leaders of all of her coalition allies, in an attempt to see off further defections. Rousseff's aides are also working on shoring up a loyal base of at least 200 congressional deputies who will block any attempt at impeachment. At least two-thirds of the 513 deputies in the federal lower chamber would need to support the motion for it to go forward.

In another tack, Rousseff is also reaching out to the federal senate, where her support base is somewhat more solid. On 10 August, she invited over 40 senators to dinner at the presidential palace Planalto and reminded them of their constitutional role as a "moderating power". She described the "fiscal bombs" tabled by Cunha as measures "not just against the government but against Brazil".

Brazil off UN Human Rights Council

Brazil has decided not to seek re-election to the United Nations Human Rights Council when its mandate expires in September. Brazil was a founding member of this new council in 2006. Itamaraty, the Brazilian foreign office, has decided to support another nation from Latin America in its stead. In 2016, Latin America will be represented by Ecuador, Panama and Venezuela, nations that have been criticised recently over their human rights' records.

After months of estrangement Rousseff is also trying to charm Renan Calheiros, the senate president, who accused the government of being behind the decision to place his name on the list of serving politicians to be investigated by the attorney-general, Rodrigo Janot, over the Petrobras scandal. Calheiros has been working on a package of reforms that would help restore growth to the Brazilian economy. Rousseff has greeted the ideas with enthusiasm. But on 11 August, Cunha warned that he would not be bypassed so easily. "According to the constitution, we live in a bicameral system. [...] Both houses have to work and approve bills," he said.

TRACKING TRENDS

ARGENTINA | Youth gets its chance. A 26-year old economist, María Delfina Rossi, has been appointed director of Argentina's largest bank, the state-run Banco Nación de Argentina. A decree announcing the appointment of Rossi, signed by President Cristina Fernández, the cabinet chief, Aníbal Fernández, and the economy minister, Axel Kicillof, was published in the official gazette on 12 August.

The government has form on giving youth its chance when it comes to top economic positions: Martín Loustean was named economy minister at the age of just 37 in 2007 (he lasted barely four months in the job) and Kicillof was only 42 when he assumed the post in 2013. But they were in their dotage compared to Rossi, who was not even a teenager when Argentina suffered its traumatic last financial crisis in 2001/02. Rossi's qualifications for such a senior position do not appear to go far beyond a degree in economics obtained from Spain's Universitat de Barcelona and an MA in economics from Florence, Italy. She lived in Barcelona for more than a decade and last year stood unsuccessfully for the European parliament for a Catalan coalition of leftists and greens, Iniciativa per Catalunya Verds-Esquerra Unida i Alternativa (ICV-EUiA). She also happens to be the daughter of the defence minister, Agustín Rossi.

BRAZIL | First January-June primary deficit since 1997. In June, the primary deficit for the central government was R\$8.21bn (US\$2.35bn), taking the total for the first six months of 2016 to R\$1.60bn. This was the first primary deficit in the first six months of a year since 1997. In the first half, revenues were down by 3.3% and expenditures were up by 0.5%.

The revised fiscal surplus target for 2015 is now R\$8.75bn (0.15% of GDP). Over the past 12 months, the government has accumulated a deficit of R\$45.7bn (0.8% of GDP). The "total" primary deficit (central government, state & local governments plus state enterprises) in June was R\$9.3bn versus R\$6.9bn in May. In the first half of 2015, the primary surplus was R\$16.2bn versus R\$29.3bn in the same period in 2014.

CHILE | Lower copper prices 'here to stay'. Alejandro Micco, Chile's deputy treasury minister, says that the fall in the price of copper is "here to stay". So far this year, copper has averaged around US\$2.67 per pound. Speaking at a meeting with leaders in the metal industry, Micco said that the decline in metal prices was having a significant impact on investment in mining countries such as Chile. The impact has been exacerbated by a strike in recent days by contract workers at Codelco, the state mining company and one of the government's main sources of tax revenue, after a worker was shot dead in clashes with the police [WR-15-30].

PARAGUAY | Inflation. The central bank of Paraguay reported that inflation rose 0.8% in July, due to slight increases in the cost of durable goods, food and fuel. The accumulated data for this year, as measured by the Consumer Prices Index (CPI) amounted to 2.2%, down from 2.9% in the same period of 2014. Annual inflation is now running at 3.6%: the goal of the central bank is to keep inflation at 4.5% with a tolerance band of 2% either side. In July one of the main drivers for the increase in inflation was food, with rises recorded in the cost of dairy products. Petrol also became more expensive due to the rising value of the US dollar.

Is Tanhuato the new Tlatlaya?

In any prolonged and violent conflict it is often very difficult to establish facts because of the “fog of war”. This has certainly been the case in Mexico. There have been repeated clashes between rival drug trafficking organisations (DTOs) and between the DTOs and the security forces. A disturbing possibility is that the security forces, including the army and the federal police, may have carried out extra-judicial executions and pretended the victims were killed in confrontations. Until now the most notorious of these cases is believed to have happened in Tlatlaya, Estado de México, in June 2014, when 22 alleged cartel members were killed after supposedly ambushing an army unit: based on the testimony of a survivor, prosecutors now believe the majority of the victims were in fact executed after they surrendered. Now, it is being reported that something worse happened in Tanhuato, Michoacán state, in May this year.

The rough rule of thumb used by Mexican journalists is that any shoot-out where the overwhelming majority of casualties are taken by only one of the two sides in battle is potentially suspicious. On that criteria alone events at the Rancho del Sol in Tanhuato, Michoacán, on 22 May this year were worthy of further investigation.

Although official reports were somewhat vague, government sources said the federal police had clashed with members of the Cartel Jalisco Nueva Generación (CJNG) – one of Mexico’s up-and-coming DTOs – and that a series of intense shoot-outs at the farm over a three-hour period had left a total of 42 CJNG members dead. Only one federal police officer had died. Only three surviving gunmen had been arrested.

In a press conference the next day the federal police commissioner, Enrique Galindo, said “there were no executions, I state that categorically”. In his account, intelligence reports about the presence of armed men had taken the federal police to the farm; there, the CJNG had opened fire, and had also shot at a police Black Hawk helicopter. “At no point did they cease fire or surrender,” Galindo said.

The national security commissioner, Monte Alejandro Rubido, backed up Galindo’s account, adding that forensic tests showed that the dead had been killed by bullets fired from a distance. Asked if there were any “characteristics of death by execution” Rubido said “definitively not. The circumstances were as we are describing them”. He attributed the disproportionate casualties to greater police numbers and to the firepower of the Black Hawk.

Now, less than three months later, a different account is emerging. Carlos Loret de Mola, a well-known TV journalist who also publishes a regular column in the national daily newspaper *El Universal*, said on 5 August that he had obtained a confidential report on the incident written by the federal attorney general’s office.

Loret de Mola’s summary of the document was that “Over 70% of the victims had a gunshot in the back of the head. Autopsies showed that one of the bodies had no bullet wound. The individual was presumably beaten to death. The investigators concluded that the bodies were moved and the weapons were actually planted. Some weapons had incompatible chargers and would have failed in combat”.

Castañeda on Tanhuato

Writing for the national daily *Milenio*, the former foreign minister and columnist Jorge Castañeda pointed out that if the report cited by Carlos Loret de Mola is indeed correct “we are faced with the most serious state crime in Mexico in recent years... 43 people died and we don’t know why”.

Tourism

The report by the national statistics institute (Inegi) points out that between January and March spending by both national and foreign tourists increased by 2.5% compared to the same period of 2014. Meanwhile of the services sold to tourists (both national and foreign), the sub-sector that most contributes to Mexico's tourism GDP, also increased by 3.5%, while the sale of goods to tourists increased by 4.7%.

According to Loret de Mola the document further suggests that the federal police were acting to exact revenge for a CJNG ambush carried out in late April in Ocotlán, Jalisco state, when five officers were killed. Forensic investigations suggested the majority of the victims at Rancho del Sol were killed between 4am and 5am, not at the time the shoot-out was supposed to have occurred.

The three survivors were found at a later time, when the federal police units were no longer on their own, having been joined by other law enforcement staff. A total of 34 of the dead were from Ocotlán, reinforcing the suspicion that this was a revenge strike in response to the earlier attack on the federal police.

It remains to be seen how the government and the judiciary will respond to the Tanhuato allegations. Initially Galindo and Rubido made no comment on the reports that directly contradict their account of events. But, on 12 August, Galindo insisted that none of the dead had been executed, and none of the bodies had gunpowder traces consistent with being fired upon at short range. He also denied all knowledge of the forensic report cited by Loret de Mola, saying that as far as he knew the only report on the matter had been produced by the Michoacán attorney general's office.

TRACKING TRENDS

MEXICO | Peso slump puts Banxico under pressure. On 11 August Mexico's central bank (Banxico) said that it had sold US\$107m of the US\$200m it auctioned in the local spot currency market in order to maintain the exchange rate at around M\$16.30/US\$1.

Like the majority of Latin American currencies, the Mexican peso has been rapidly losing value against the US dollar in recent weeks, amid widespread expectations that the US Federal Reserve will soon move to increase its interest rates. As a result the peso has depreciated by 20% since July, breaking the record low benchmark of M\$16/US\$1 (making it the 10th worst performing currency amongst the world's 36 most-traded currencies this year).

This has prompted Banxico to intervene actively in the currency market in order to manage the freely floating exchange rate. But local analysts and business leaders have warned that this strategy is unsustainable in the long term and that Banxico may soon have to raise interest rates in order to stabilise the exchange rate.

With Mexico's domestic economic growth running at only slightly above 2% this year, Banxico has been reluctant to increase interest rates despite inflationary pressures in a bid to continue stimulating the domestic economy. Yet local business leaders have pointed out that the lower value of the peso means that their costs have increased and they are under growing pressure to pass this on to consumers unless the exchange rate comes back down to a more stable level. As Juan Casados, the general director of the confederation of Mexican industrialists (Concamin), explained: "If the exchange rate stays at 16 per dollar or weaker, in the next two months we'll surely need to make some adjustments, because it won't be possible to keep absorbing these shocks".

But such a move by manufacturers could act as a dampener on domestic consumption and lead to lower overall economic activity. This became an even bigger concern after Banxico published its second quarter report, on 12 August, in which it lowered its economic growth forecast for the year to 1.7%-2.5% from the previous forecast of 2%-3%. Banxico primarily attributed the revision to "weak industrial activity and more moderate internal demand".

MEXICO | Tourism sector activity. On 10 August Mexico's national statistics institute (Inegi) reported that economic activity in the country's tourism sector increased by 3.5% in the first six months of the year, compared to the same period last year. Last year Mexico received a record 29.1m foreign visitors, who generated US\$16.25bn in revenue for the country. Inegi expects that the tourism sector can generate even more revenue this year (*see sidebar*).

Stage one completed

“A step forward despite some incidents.” This was the conclusion reached by the electoral observer mission of the Organization of American States (OAS) regarding the first round of elections which took place on 9 August for two-thirds of Haiti’s 30-member national senate and the newly expanded 118-member lower chamber of congress (up from 99). The results are not expected to be released until 19 August, but the fact that the long overdue election took place at all has been hailed by the international community as a major step forward for Haiti which is still struggling to recover from the devastation of the 2010 earthquake.

Haiti’s legislative branch has been inoperative since 12 January when the terms of all national deputies and 10 senators in the upper chamber (a third of which was already vacant) formally expired. In a press release issued on 7 August, United Nations (UN) Secretary-General Ban Ki-moon described the election – the first ahead of the presidential first round on 25 October (from which President Michel Martelly is barred from running) and December’s local elections – as “a major milestone for democracy in Haiti”.

With multiple concerns raised ahead of voting day [WR-15-31], fears regarding violence and chaos were borne out with preliminary reports putting the death toll at three, while 26 voting centres (out of 1,508 nationwide) were forced to close due to clashes and political parties accusing each other of fraud and ballot-stuffing. According to a preliminary balance sheet by the national police (PNH), 56 arrests were made, at least three police officers were injured and the town hall in the northern town of Limbe was burned down.

There were also other complaints regarding irregularities. The day before the vote, the provisional electoral council (CEP) released a communiqué stating that as a result of technical difficulties, it had not been possible to print passes for observers from political parties who were asked to report to departmental electoral offices to get accredited. The ensuing chaos led to a common complaint by political parties that their members had not been able to observe the process or even vote in centres to which they had been assigned.

Yet despite these complaints, the broad consensus has been positive. The CEP president, Pierre Louis Opont, PNH chief, Godson Orelus, and Prime Minister Evans Paul all described polling day as “acceptable”. The local civil society group, Observatoire Citoyen pour l’Institutionnalisation de la Démocratie (Ocid) described proceedings as “more or less acceptable” and said that there was sufficient observation by the different parties to guarantee a “minimum [level] of transparency”. Sandra Honoré, the head of the UN Stabilisation Mission in Haiti (Minustah) issued a statement on behalf of the UN and the “Core Group” (the Ambassadors of Brazil, Canada, France, Spain, the US, the European Union and the OAS Special Representative) hailing the organisation of the first round of elections which it said reflected “efforts by the CEP, government and national police... in creating an appropriate framework for them to take place”.

This endorsement is significant but one as-yet-answered question regarding the validity of the electoral process and mandates of future elected officials centres on that of voter turnout which reached a record low of 22.8% of registered voters in the last 2010 electoral cycle. The head of the OAS mission, José Enrique Castillo Barrantes, told *AFP* that in this election “We hope to get to at least 20 percent” but local commentators speculate that it could be more like 15%.

Presidential poll

The first electoral survey on October’s presidential election by the private think-tank, Bureau de Recherches en Informatiques et en Développement Economique et Sociale (Brides), showed Jude Célestin (Ligue Alternative pour le Progrès et l’Emancipation Haïtienne) as the frontrunner with 15.1% of voting intentions. Célestin is the former head of the State-owned construction company, Centre National des Équipements (CNE), who ran in the 2010 contest for former president René Préval (1996-2001; 2006-2011)’s *Inité* party before being controversially excluded from the run-off. Second, with 9.6% is Jean Charles Moïse (Pitit Dessalines) while the candidate for President Michel Martelly’s *Parti Haïtien Tèt Kalé* (PHTK) party, mechanical engineer Jovenel Moïse, a relative unknown, was fourth with 6.1% (behind ‘no response’ on 7.8%).

Solís grapples with the big conundrum

Blame game

The business sector and the political opposition blames Costa Rica's fiscal deficit on public sector benefits. The trade unions are demanding more stringent laws to crack down on tax evasion by the private sector. Meanwhile, the founder of the ruling Partido Acción Ciudadana (PAC) Deputy Ottón Solís, said former president Oscar Arias was the principal culprit for the current fiscal deficit. Solís said that when Arias came to power there was a surplus and he had proceeded to enlarge the public sector, beefing up salaries and excessively increasing the benefits and pensions of public sector employees.

President Luis Guillermo Solís is making a concerted effort to push through a seminal tax reform in Costa Rica to address a fiscal deficit that has ballooned over the course of the last decade. The objective is to increase the tax take – but by placing the burden on the wealthiest 60% of the population. Solís faces an uphill task. The political opposition, which dominates the 57-seat unicameral legislative assembly, opposes any tax reform without big public spending cuts. The private sector is also opposed to the proposed new taxes presented by the finance minister Vice-President Helio Fallas this week. But Solís has enlisted the support of the country's veteran twice former president Oscar Arias (1986-1990; 2006-2010), of the main opposition Partido Liberación Nacional (PLN).

Fallas presented details of the government's proposed tax reform to combat the fiscal deficit on 10 August. It consists of replacing the current sales tax of 13% with a value added tax (IVA) that would rise to 15% in the second year after entering into force. Fallas forecast that this would increase the tax take by 1.33 percentage points of GDP. It would tax all goods and services, unlike the sales tax from which some services are exempt. Health and education, and low electricity and water usage would also be exempt, and the poorest 40% of households would be reimbursed the VAT to protect the more vulnerable sectors of society.

Fallas also proposed increasing income tax marginally for low to middle income earners and introducing two higher-level tax bands for top wage earners. Those earning under ₡793,000 (US\$1,468) a month would be exempt of income tax, while those earning up to ₡2.10m (US\$3,900) would pay 15%, a slight increase. The big change is for those who earn between ₡2.10bn and ₡4.21bn (US\$7,800) who will pay 20%, and over this figure, 25%.

Four days before his presentation of the proposed changes, Fallas accompanied President Solís to the private residence of former president Arias whose brother Rodrigo, a former minister of the presidency, was also present. Elder statesmen now, they retain influence within the PLN, the largest party in the legislative assembly with 18 seats. Oscar Arias told the press that every government since former president Abel Pacheco (2002-2006) had tried and failed to push through a meaningful tax reform but “we don't have the luxury to allow Luis Guillermo to fail”. Costa Rica ended 2014 with a fiscal deficit of 5.4% of GDP, and the central bank forecast in late July that this would rise to 5.9% this year and 6.6% in 2016.

Fiddling while Rome burns

Arias promised to intercede with PLN deputies, saying he would “roll his sleeves up and work”, inviting them to his house to explain the seriousness of the matter. But he warned that it could be a wasted effort unless Solís cut public spending. After Solís warned in recent weeks that the economy is on borrowed time and cannot endure another year without new tax revenue, opposition legislators rejoined that the 2015 national budget increased spending by 19% on 2014. Seven of the nine parties in the legislative assembly (35 seats in total) are demanding big public spending cuts in the 2016 budget, which must be presented by 1 September. Only the left-wing Frente Amplio (FA) is offering the ruling Partido Acción Ciudadana (PAC) tentative support (22 seats in total).

The government argues that it has tabled a series of bills against fraud and contraband, as well as capping “luxury” pensions, and restricting wage increases to just 0.08% to streamline public spending. The business sector contends that this is insufficient and that the tax reforms will affect the economy at a time when the GDP growth forecast for 2015 has just been cut from 3.4% to 2.8%.

Campaign financing

A report released last month by the United Nations (UN) anti-impunity commission in Guatemala (Cicig) on campaign financing found that according to data submitted by electoral authorities (TE) in the 2011 general elections, over Q\$300m (US\$39m) of campaign financing was unaccounted for. The report also found that in the last elections the ruling Partido Patriota (PP) exceeded the legal campaign spending limit by Q\$101m (US\$13m); Libertad Democrática Renovada (Líder) by Q\$68m (US\$9m) and Unidad Nacional de la Esperanza (UNE) by Q\$56m (US\$7m). Cicig also cites local watchdog, Acción Ciudadana, which put these figures at Q\$189m; Q\$114m and Q\$84m respectively.

Baldizón losing ground

Following the recent corruption allegations involving the main opposition Libertad Democrática Renovada (Líder) [WR-15-31], the party is facing further problems ahead of general elections on 6 September. Last week the supreme electoral court (TSE) slapped it with a Q\$760,000 (US\$94,000) fine and banned it from future campaigning for exceeding the campaign spending limit. The presidential contender poised to capitalise looks to be Jimmy Morales of the small conservative Frente de Convergencia Nacional (FCN) whose surge in the pre-electoral polls to second place, behind Líder's Manuel Baldizón, has been a major talking point.

On 7 August the TSE announced the fine after Líder exceeded its Q\$52.4m (US\$6.9m) campaign spending limit by Q\$1.79m (US\$234,000). The TSE was clear that any "campaign activity" must be suspended but Líder's spokesperson, Fridel de León, told reporters that the party would continue to hold rallies as the punishment – which it considered "unjust...[and] arbitrary" – merely applied to media activity, not campaign rallies.

Meanwhile, the second pre-electoral survey by the leading national daily *Prensa Libre* published on 10 August found that Baldizón was losing ground, with 24.9% of polling intentions. This was down from 30.1% in the May survey and well below the 50% plus one vote necessary to avoid a run-off. Second with 16.2%, was Morales, a TV actor and comedian, positioning himself as the 'anti-establishment' candidate, who failed to feature in *Prensa Libre's* previous survey. Third, with 14% (virtually unchanged since May) was former First Lady Sandra Torres of the Unidad Nacional de la Esperanza (UNE). Morales and Torres are within the error margin of 2.8%.

The *Prensa Libre* survey explicitly attributed Baldizón's slide in the polls to the corruption scandals implicating various key figures in his party – not least, his running mate Édgar Barquín, a former central bank president (2010-2014) whose future remains subject to doubt after the supreme court (CSJ) appointed a judge to determine whether to strip him of immunity in order to face investigation for alleged corruption [WR-15-31]. As well as Baldizón, five Líder national deputies are also facing the threat of legal action for alleged crimes including influence-trafficking, illicit enrichment and abuse of authority.

Manifestos

With Líder's refusal to heed the TE's sanction serving as the latest reminder of the court's weakness in enforcing electoral rules, last week Mirador Electoral, which groups together nine civil society organisations including the local think tank, Instituto Centroamericano de Estudios Políticos (Incep), and transparency NGO Acción Ciudadana (AC), released a report serving to expose further the limits of the electoral process. That study showed that of the 14 parties fielding presidential candidates, just Líder, UNE and the small left-wing Encuentro por Guatemala (EG) and a coalition comprising Unidad Revolucionaria Nacional Guatemalteca [URNG-MAIZ] and the Movimiento Político Winaq of indigenous leader and Nobel Peace Prize Winner Rigoberta Menchú, had bothered to present structured manifestos.

The same study found that those put forward by FCN, Compromiso Renovación y Orden (Creo)-Unionista, Movimiento Nueva República (MNR) and Partido Republicano Institucional (PRI) lacked substance while those parties which had failed to publish any manifesto whatsoever included President Otto Pérez Molina's Partido Patriota (PP); Unión del Cambio Nacional (UCN); Visión con Valores (Viva) and Partido de Avanzada Nacional (PAN).

Medina fires police chief; advances PRD alliance

President Danilo Medina has made two significant changes as he positions himself for re-election in May 2016. Medina dismissed the head of the police force, Major General Manuel Castro Castillo, in the midst of rising crime and appointed Major General Nelson Peguero Paredes in his place. Then he appointed two members of the Partido Revolucionario Dominicano (PRD), previously the main opposition, to official positions. The first change was designed to demonstrate Medina's commitment to Dominicans to address insecurity; the second changes were eye-catching as they suggested Medina is serious about forging a government of national unity.

Castro Castillo was replaced after two bank robberies in as many weeks amid a public perception of a deteriorating security situation, the overriding voter concern. President Medina instructed Peguero Paredes to increase joint patrols to combat crime. Following the trend for greater involvement of the armed forces in public security in Central America, Medina ordered more military on to the streets. He said that an additional 1,800 police officers and 2,350 military personnel would join joint patrols to crack down on violent crime.

Medina also appointed Aníbal García Duvergé, a member of the PRD, as the new head of the institute of development and cooperative credit (Idecoop), and the PRD's Dr César Mella Mejías, a respected psychiatrist, as the government's health adviser. The PRD is a long-standing adversary of the ruling Partido de la Liberación Dominicana (PLD). But having accepted that he will not be able to beat the popular Medina when he runs for re-election, the PRD president, Miguel Vargas Maldonado, recently announced he would join him. The PRD was not expected to reap any benefits until after the elections though so this was an early reward.

TRACKING TRENDS

REGION | **FAO warns of drought's impact.** On 11 August the Food and Agriculture Organization (FAO) of the United Nations urged all Central American governments to adopt measures to minimise the negative effects of the current drought in the sub-region on food security. The dry spell produced by this year's 'El Niño' climatic phenomenon is producing an acute drought in Central America's so-called 'Dry Corridor', which extends across the Pacific coasts of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama. So much so that international experts believe that this drought may even surpass the record dry spell recorded in the area last year, which at 45 days between July and August was the longest and driest in half a century.

In a statement the coordinator of the FAO's sub-regional office for Mesoamerica, Ignacio Rivera, said that the lack of rain this year was contributing to the "continuous deterioration of living conditions" for over 1m families that live in this area and are predominantly dedicated to subsistence farming. Pointing out that the drought and its accompanying increase in food prices have exacerbated the food insecurity situation in an area that has an undernourishment rate of 15%, almost double Latin America's average of 7.9%, Rivera said that Central American countries should adopt measures involving the strengthening of infrastructure, the improvement of early warning systems, the use of natural resources and the adaptation of national productive systems to the climatic change.

"The malnutrition and poverty levels, along with the recurrent climatological threats make the 'Dry Corridor' one of the areas in the world with the highest food security risk," Rivera said. "It is indispensable that the ['Dry Corridor'] countries and the international community prioritise their resources to face up to the consequences that the insufficient and irregular precipitation in the Central American countries produces," he added.

Judicial clash

Major General Manuel Castro Castillo had also made controversial comments shortly before his dismissal that the judiciary was undermining police work by releasing criminals handed over for prosecution. His successor Major General Nelson Peguero Paredes is believed to have reiterated these concerns when meeting the president of the supreme court of justice, Mariano Germán Mejía, on 10 August.

Quotes of the week

“They think that if the official figures from the central bank and the national statistics institute are not published then inflation doesn't exist and they suppose the people are stupid and fall for the tale that behind the scarcity and shortages lies the economic war financed by the empire.”

Venezuela's opposition governor of Miranda, Henrique Capriles Radonski.

“This result is resounding whatever way you look at it.”
Daniel Scioli, the presidential candidate of Argentina's ruling Frente para la Victoria on his slightly underwhelming victory in the primary elections.

“We will help the government as far as we can, the opposition is for building bridges, not erecting walls.”
Costa Rica's former president Oscar Arias on crucial tax reform.

OAS mediates Honduran dialogue amid protests

After 11 weeks of torchlit marches by protesters incensed by revelations of institutional corruption in Honduras, a dialogue process is tentatively underway. The protest movement, named after Spain's *indignados* (outraged), is demanding the establishment of an anti-impunity commission along the lines of Guatemala's Cicih, backed by the United Nations (UN), to root out this corruption, and is suspicious of a dialogue process proposed by President Juan Orlando Hernández on 23 June. Representatives of the *indignados* and civil society organisations did agree, however, to meet Luis Almagro, the secretary general of the Organization of American States (OAS), who visited Honduras on 7 August to broker talks.

Nationwide protests began after massive corruption came to light at the state social security institute (IHSS) and elsewhere last May. President Hernández opposes the creation of Cicih (as it would be called in Honduras). Instead, he appeared on national television to announce that he was creating an integral Honduran system against impunity and corruption (SIHCIC). He called for civil society, congress, and the attorney general's office to help shape SIHCIC and “join our fight for dignity, transparency and the equal application of justice”. Hernández failed to provide any concrete details of the composition or remit of SIHCIC but it did not placate the *indignados* who insist that only an impartial, international body can combat corruption effectively in Honduras.

On 3 August congress rejected by 66 votes to 56 a proposal sponsored by the ousted former president Manuel Zelaya (2006-2009), the leader of the left-wing Libertad y Refundación (Libre), to call a plebiscite on whether Hernández should invite the UN to establish Cicih. The president of congress, Mauricio Oliva, urged Libre to join the dialogue process instead. Oliva said the Cicih proposal was “weak, unsubstantial and very superficial”, which sums up how the *indignados* view the SIHCIC proposal.

Given the growing polarisation in Honduras, the OAS is keen to get involved, having been caught off guard by the institutional brinkmanship that resulted in a coup in 2009. Hernández received Almagro who, promising to “knock on all doors and enter those that are opened,” later met Zelaya and the *indignados*. Almagro, who was accompanied by veteran Chilean diplomat John Biehl del Río, designated by the OAS to facilitate the dialogue process, said the OAS would later form an agenda for talks with specific goals and a timeframe.

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